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ABSTRACT

This paper is an indepth survey of American educational finance from its origins to the present and with projections for the future. It discusses the influence of and impact on school finance of some of the following: demographic patterns, changes in the American economy, Sputnik and civil rights events, federal intervention, the courts, local government, and local taxpayers. The paper delves into different approaches to reform, both conservative and revolutionary, and then discusses the status of educational finance in the state of New York. It concludes that the productive capacity of education, like that of the rest of the economy, may be suffering. No amount of funding, the paper says, can compensate for deficiencies in human productivity. An extensive bibliography follows. (Author/LD)

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Educational Finance At The Crossroads

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Foreword

Both educators and the general public are becoming increasingly interested in school finance systems. In New York State, the recent Levittown decision promises to provoke reconsideration, if not restructuring of existing support mechanisms. During the next decade, additional developments in this area will doubtlessly touch most aspects of American education.

A better perspective of the present and future directions in school finance can be gained through an examination of the history of this field. Increased understanding of existing support patterns can stimulate insightful planning by educators and laymen alike.

American education is in a constant state of flux. Because curricular objectives require monetary support, the financial organization and operation of public schools must be viewed as dynamic. Rigid adherence to a static pattern of school finance freezes instructional objectives as well as fiscal policies.

Nothing more clearly demonstrates the dynamic nature of school finance than the experiences of American communities in recent years. Influenced by court decisions, inflation, and the demands of constituents, educators have struggled to insure stable bases of support for their institutions. The present situation is not of immediate origin. It represents a clash of elements deeply imbedded in the fabric of American education. Only through an examination of the development of public school finance can a broad perspective on current conditions be gained.

The Evolution of Educational Finance

The background of school finance is the story of American education as it developed from the colonial era to the present. Public education has never been able to advance further than its means of support would allow.[1]

The Origins

From its beginnings, our schools were a community concern. Because this nation was founded by diverse groups, seeking to perpetuate their own systems of belief, education was central to the activity of each settlement. If systems of thought were not perpetuated and strengthened, they would cease to exist.

In the early New England settlements, education functioned under the supervision of the church. Within this context, the responsibility of each family for the schooling of children was recognized. Initially, fees were assessed through rate bills and subscriptions, with churches and other groups providing additional contributions.

As the colonies developed, however, a need arose for a more rational and systematic means of support. Various towns in Massachusetts and Connecticut turned to a property tax for assistance. In the southern colonies, where many families sent their children to England for education, a land tax was employed to finance "pauper" schools. As settlers moved west, frontier communities increasingly relied on property, and especially land assessments, to maintain their schools.[2]

Taxes on land were especially well-suited to support American education in its earliest stages of development. Although isolated individuals such as William Penn, Lord Baltimore, and the aristocrats of Virginia and the Carolinas crossed the Atlantic with large sums of money, most of the colonists had few possessions except land. Settlement inducements made wide expanses of meadow and forest so easy to acquire that most colonists owned and farmed some type of land. The taxing of land also amounted to a crude form of income tax, since colonists generally acquired property in proportion to the amounts they could farm. The absence of twentieth century retirement systems insured the continued use of this tax. If a man could no longer work his property, it would either be farmed by a relative or sold.[3]

As the colonies solidified into a nation, the connection between land and schools grew stronger. The confederate government which presided in the immediate, post-revolutionary period took important steps to insure

that the establishment of educational institutions would accompany the westward movement of settlers. In the Land Ordinance of 1785, it provided that the lands north of the Ohio River and east of the Mississippi would be divided into townships, each including 36 square miles. Of each township, one square mile was to be set aside "for the maintenance of public schools".[4] In the Northwest Ordinance of 1787, the national government strengthened these provisions and determined the "schools and the means of education" were to be encouraged in the new territories.[5]

As a federal government supplanted the weak, confederate regime, the development of property taxes as the financial basis for education became further cemented. In 1802, Washington granted the new state of Ohio control over all lands within its boundaries, which had been earmarked for the support of schools. The grant was made with the proviso that the state government use income from the lands to maintain its school systems. As other new states were admitted, the federal government extended them similar privileges. Through these moves, the role of the state in American education became tied to land and property at an early point.[6]

In the early nineteenth century, however, it became apparent that taxes on land and property alone would be insufficient to support public education. Colonial and early state governments had supplemented their local property taxes with funds derived from fines and penalties, lotteries, license fees from business and liquor, taxes on banks, and outright appropriations. Yet, these sources had failed to produce sufficient revenue. Under these circumstances, the idea of state taxation as a support for local property assessments gained increasing popularity. Such luminaries as Horace Mann of Massachusetts, Henry Barnard of Connecticut, Thaddeus Stevens of Pennsylvania, and Caleb Mills of Indiana convinced many states that their

wealth should be taxed to educate the children residing within their boundaries.[7]

The development of state aid to education occurred very slowly. Individual states adopted a wide range of financial mechanisms. Laws enacted in 1816 gave Maryland voters the option of supporting their schools by general taxation or by subscription. Missouri permitted taxation to support schools only upon the written demand of two-thirds of the voters of an area. Ohio allowed general taxation to support schools as early as 1821, but did not abolish rate bills and establish a permanent state tax until 1853. Indiana's state government sanctioned local property taxes in 1824, but did not enact a state-wide property tax until 1851.[8]

The emergence of the states as important partners in educational finance placed some limits on local control of schools. In most areas, this trend effectively solidified the property tax as an instrument of community school support. States enforced compulsory local taxation by withholding aid until communities raised their shares. In 1797, Vermont required towns not providing their own school support to forfeit state aid. Massachusetts made local taxation mandatory in 1824. Other states, including New York, Delaware, and New Jersey, expanded their state aid provisions.[9]

The Twentieth Century

The expansion of the financial base of American public education occurred slowly. By 1900, however, almost all states possessed systems of local property taxes, supplemented by state aid. This pattern of finance was legally affirmed in 1872, by the Supreme Court of Michigan. In the famous Kalamazoo case, the state court sustained the right of school districts to tax local populations for the support of education.[10]

The financial basis of American public education in 1900 bore a heavy local imprint. States forced communities to raise funds for schools and to some degree dictated how these monies should be spent. Yet the school district remained the cornerstone of support. In most cases, levels of state aid were linked to amounts raised at the local level. In almost every case, communities themselves, rather than state governments, actually spent school appropriations. Despite the coming of a supervisory influence from the state, public education remained a local concern. The standards and the directions of school systems stayed in the hands of individual districts.

The years which followed the turn of the century brought dramatic growth both to the American nation and to its educational system. Between 1900 and 1950, the national population doubled. During the same period, the number of pupils enrolled in public high schools was multiplied by 10. The changes in the financial support of education which occurred during this period were equally, if not more dramatic. Between 1900 and 1940, before the start of the post-World War II period of inflation, public school expenditures increased over ten fold. At the same time, the average expenditure per day for each pupil attending grew by a factor of four.[11] Yet the educational growth of the early twentieth century did not benefit all areas of the nation in the same degrees. The gap between the financial capabilities of cities and rural areas actually widened. Major qualitative changes in the system, such as the expansion of curricula and the development of junior and senior high schools,were often implemented only in urban districts, where sufficient resources existed.

The rises in school enrollment and revenue requirements which occurred during the first half of the twentieth century reflected the social and

economic changes which marked that period. Generally, these years were characterized by the culmination of the great immigration movements of the nineteenth century, the coming-of-age of the American economy, and the dramatic growth of the nation's standard of living. All of these factors were perhaps reflected in the sudden emergence of the United States as a superpower. The America of the early nineteenth century was strong and growing stronger, marshalling its social and economic muscle to meet whatever needs might arise. Under these circumstances, the additional financial needs created by the need to educate both immigrants and natural born citizens were, in most cases, easily met by increases in national wealth and productivity. Even the Great Depression was eventually surmounted by the country's burgeoning economy and social structure.[12]

If the early decades of the twentieth century were characterized by growth, they were also marked by reform. This pattern was especially evident in the area of educational finance. Local support of education had carried with it, from its beginnings, certain inherent inequalities. As the wealth and concern of citizens for schooling varied among areas, so would levels of funding they devoted to education. A few states had attempted to correct this situation during the nineteenth century. An 1874 Massachusetts law provided special appropriations for poor, rural districts. By 1881, New Jersey had established a reserve fund to aid struggling districts. Yet, these were isolated experiments. Not until after 1900 were large scale efforts made to equalize educational expenditures.[13]

Ellwood Cubberly was probably the patriarch of fiscal educational reformers of the early 1900's. He argued that because wealth was unequally distributed among urban and rural areas, state constitutional mandates imposed unfair burdens on some communities. He recommended the establishment

of a state school tax and the distribution of flat grants to help poorer districts.[14]

Other reformers developed mechanisms for carrying out equalization. In 1921, Harlan Updegraff of the University of Pennsylvania introduced the concept of the teacher unit, the number of pupils per teacher at each level of education. Updegraff believed that standard numbers of pupils per teacher could be established, and revenue needs fixed accordingly. Under his plan, the state governments would support local tax efforts by bringing existing numbers of teacher units up to predetermined norms.[15]

George D. Strayer and Robert M. Haig advanced another concept of equalization, the foundation approach. Cubberly's flat grant incentives had actually enhanced urban-rural disparities because wealthy cities responded more readily to the prospect of monetary incentives. In the 1923 report of the Educational Finance Inquiry Commission of the New York City schools, Strayer and Haig, suggested that state grants be used to bring expenditures in less wealthy districts up to acceptable standards. Funds for these grants, they argued, should come from state taxes "adjusted in such a manner as to bear upon the people in all localities at the same rate in relation to their tax-paying ability."[16]

Another researcher, Paul Mort, developed the mechanisms for implementing the concepts proposed by Strayer and Haig. Mort converted existing costs per teacher unit to costs of education per student unit. He thus established the weighted pupil unit, or the average amount of support given to each pupil enrolled in a district. The weighted figure was almost universally applicable. By examining these units, observers could readily compare proportional expenditures in any number of districts.[17] Mort also developed minimum elements to be included in district educational programs.

These included basic programs found in almost all communities; unusual requirements necessitated by conditions beyond the control of individual communities; and additional or more costly schooling, such as that for the disadvantaged.[18]

The educational reformers of the early twentieth century proposed means for the equalization of educational resources. They agreed that this process would have to occur through state governments, yet they hoped that the states would stimulate, rather than hinder, district development. They believed that state aid would insure the adoption of proven minimum program requirements and allow districts to make additional efforts in other areas.[19]

The proposals of Cubberly and the other reformers drew attention to important changes in the makeup of American society and education. Their emphasis on the need for additional means of support for education drew attention to the development of the United States from an agricultural to one in which wealth was evenly distributed because there were few large concentrations of population. The reformers also pointed to changes in the place of education in the American way of life. An agricultural democracy required that citizens know how to read, write, and perform basic mathematical operations. The onset of technology brought with it demands for specialized knowledge, however, it was not enough that schools teach only the basic skills; orientations to occupational areas and higher education would be required.

These conditions placed major demands on public school finance. Not only were schools required to develop new and more expensive curricula, but they were required to do it on a tax base suited to the needs of the previous century. The plans of many reformers focused on state government, yet help did not come immediately. Although the numbers of state dollars going to local education increased between 1900 and 1920, the percentage of district

budgets which state aid comprised actually decreased in that period.[20] During the Great Depression, the financial burden became too great for many districts to bear. Hundreds of systems defaulted because they were unable to cope with conditions.[21]

As in a number of other areas, the Depression emphasized the need for reform in traditional methods of educational finance. In 1933, the National Conference on Financing Education emphasized that, while some of the immediate difficulties being experienced by school systems had grown out of the stock market crash of 1929, most originated in the "inefficient system by which education is financed in the United States".[22]

The Great Depression had a disproportionately severe influence on the financing of education. Although federal expenditures greatly increased during the 1930's, state and local spending did not. It was from these, latter sources of revenue, rather than from Washington, that schools drew their funding.[23] The failure of the local property tax to yield sufficient educational revenue triggered a search for new methods of finance. Many states turned to sales taxes. By 1935, not less than 24 states allocated all or part of their sales tax revenue to education. The miscellaneous duties and charges, which had financed public schools during the country's early years, were in many cases revived. State governments increasingly allocated the proceeds of license fees, liquor taxes, and severance taxes to education. The recovery was a slow one, yet by 1940, school expenditures had regained their 1930 levels.[24]

The Great Depression thus saw an important broadening in the basis of school finance. The use of sales taxes, in particular, had been an important move which lessened the traditional dependence of schools on local property taxes. With the massive infusions of state revenue, the Depression had also

witnessed the coming of greater state control to local districts. Many states instituted formal procedures for the review of school budgets and regulated the use of local tax rates to raise funds. While, in some cases, these restrictions were more nominal than real, their existence gave legal responsibility for budget review to groups wholly outside local districts.[25]

During the 1940's, new changes confronted school finance. After the conclusion of World War II, wartime price controls were relaxed and prices shot upward dramatically. School support also rose, yet at a rate which did not approach the increase in prices and earning power. In 1947, for example, school expenditures increased by an average of 66%, while the wages of workers in private industry rose by 86% and general price levels doubled. The pattern was repeated in state after state. Although educational expenditures rose in all areas, these increases never seemed to match those of the economy.[26]

The post-war inflation also accentuated differences between wealthy and poor districts. The salaries of persons in the former areas apparently kept up with inflation to a far better extent than did the wages of those in less wealthy districts. The pattern was especially marked in large states which devoted substantial monies to the support of public education. In New York State, for instance, the variation in expenditure per weighted pupil between the poorest and wealthiest districts had grown from approximately $180 in 1940 to about $250 in 1947. During the same period the difference between per pupil weighted expenditures of the poorest districts and the state median rose by 50%.[27]

The changes induced by the Great Depression and the post-World War II period of inflation made some type of equalization inevitable in most areas. Usually, elements of tax base equalization and state aid equalization were linked. The former practice encouraged equity in districts of varying fiscal

capability. Once local systems were on an equal footing, state aid was allocated in an inverse relationship to district wealth.

The specific forms of equalization adopted have varied among the states. In most cases, however, some modification of the foundation approach was employed. Under this doctrine, it may be remembered, a basic level of school support is defined and assured for each local school district by state government. State funds are added to the proceeds of the local tax rate until the sum of the two amounts reaches the state-guaranteed minimum level. This formula requires districts to contribute in proportion to their ability to pay. School systems with ample resources contribute larger percentages of the state guaranteed minimum than those with little funding. By using state monies to bring poorer districts support up to a minimum level, the plan assures at least a basic amount of support in all school systems. Assuming financial capability is translated into instructional effectiveness, the mechanism thus insures students access to an established level of educational quality.[28]

In New York State, the equalization process was and is based on Article XI, Section I of the state Constitution which reads,

> "The Legislature shall provide for the maintenance and support of a system of free public schools wherein all children of the State may be educated."[29]

The share of educational expenses borne by individual school districts was financed primarily by the property tax. The portion furnished by state government came from personal income, business income, consumer sales, and use taxes.

Equalization was and continues to be administered by the State Board of Equalization and Assessment, created as a temporary agency in 1949, and made permanent in 1960. The Board was established as a five member

committee, with participants appointed by the Governor and confirmed by the State Senate for 8 year terms. Terms were staggered so that no two members' appointments expire in the same calendar year.[30]

In its original form, equalization was carried out in New York State through the determination of fractionally assessed values for property and the establishment of equalization rates for every town, city, and village. The first of these elements, fractional assessment, was carried out at the local level. City and town assessors were charged with the task of fixing property values for purposes of taxation. In most cases, this was accomplished through the application of a 25% assessment formula to the market value of property. A $40,000 home would thus be assessed for $10,000.[31]

The workload of assessors became especially heavy during the late 1940's. Because inflation was constantly increasing the dollar value of property, periodic reassessments were required. Lacking the means to keep their data updated, many local assessors resorted to copying assessment roles from year to year.[32]

The actual equalization process itself was administered by the Board of Equalization and Assessment. It was and is the primary responsibility of this agency to measure the relationship between assessed rates and full value of taxable property. That relationship becomes the equalization rate. Through a complicated system of formulas, equalization rates are then used to determine the wealth of districts, which, in turn, helps fix state aid figures.[33]

Although rather clumsy to administer, systems of equalization like that employed in New York functioned in many states during the middle twentieth century. Equalization was not a final answer to all the dilemmas of school finance, yet it did fulfill a number of important functions.

It provided a means of funding education which preserved the central role of community involvement. Local areas not only raised a sizable percentage of educational revenue, they had most of the say as to how this money would be spent. Equalization also gave the states a supervisory role in the public schools, without bogging them down in the minutiae of ordering textbooks for local elementary schools, appropriating funds for the procurement of new locker space, and other similar functions. Equalization thus provided funds for the upgrading of poorer school systems, but without upsetting the applecart of established patterns of educational administration.

To be sure, the practice had its weaknesses. The weakest link seemed to be assessment. Not only were properties valued at less than their real worth, but public officials were unable to keep up with the changes in their fractional value. Yet even here there were compensating factors. Occasional mass assessment programs in most areas gave property owners a form of tax equality.[34] With the passing of the post-World War II period of inflation, there came a decade of smaller price increases. Lower inflation levels brought less pressure for periodic reevaluation of property and slow growth in differences of per pupil expenditures between rich and poor districts.[35]

In many ways, the America of the 1950's had found a makeshift solution of its difficulties of financing education. The patchwork of procedures that was equalization completely satisfied no one, yet contained something for everyone. Popular philosophers might have noted that the only thing it could do was work. In its hodgepodge approach, it may have been distinctly American.

New Forces in Educational Finance

The compromise in school finance brought about by the first wave of equalization might have lasted indefinitely. Yet it did not. During the middle of the twentieth century new forces were at work in American life, forces which would ultimately challenge not only educational support, but the broader fabric of society as well.

Demographic Patterns

Some of the new challenges which confronted the national system of education were continuations of older ones. Stimulated by a post war 'baby-boom', the country's population continued to spiral upward. In the 1950's, the members of the 'baby-boom' began to enroll in the public schools, placing massive new demands on existing facilities. Between 1951 and 1957 alone, fall enrollment in New York State public elementary and secondary schools mushroomed from 1,930,000 to over 2,400,000. Subsequent increases would push the total upward to 3,400,000 by 1970. The rises in school enrollment were especially pronounced in upstate New York. Developments in the New York City area accounted for a relatively small proportion of the State's enrollment increase.[36]

Enrollment increases challenged existing systems of school finance by requiring sizable numbers of new school staff members. Between 1931 and 1951, the number of professional positions (administrators, teachers, and support personnel) had increased by more than 8,000. Between 1951 and 1956, the increase in staff reached 20,000. Another 18,000 positions were added between 1956 and 1961.[37]

Other, regional demographic patterns also influenced the structure of public school finance during the mid-twentieth century. The increase

of suburbanization across the nation funneled people and wealth away from inner cities and rural areas. The northeastern United States, once the industrial center of the country, also declined as money and jobs flowed into the "sunbelt". Small, nonmetropolitan towns also grew, probably as alternatives to suburbs.[38]

All of these patterns impacted the existing differences in wealth among school districts. Suburbanization concentrated personal and industrial wealth in previously rural areas. In many instances, suburbs grew so quickly that tax structures and assessment patterns required years to adjust. The growth of suburbs, by speeding the impoverishment of inner cities, often accentuated differences in per pupil expenditures between neighboring school systems. The flight of industry from the Northeast left many communities in that area without sufficient means to support their schools. The growth of small, city-school districts burdened such areas with the responsibilities of large numbers of additional students.[39]

Demographic trends thus brought heavy new pressures to bear on the mid-twentieth century equalization compromise. Having succeeded in adjusting the existing balance among districts, equalization was now challenged to come up with vast new sums.

The Economy

Paralleling the demographic shifts in their influence on school finance were important changes in the American economy. After a period of generally stable price levels during the 1950's, the nation's inflation rate sharply increased during the 1960's. A number of factors contributed to this pattern. Increasing demands for foreign goods created consistently unfavorable trade balances. The Vietnam War resulted in major rises in

federal spending. Toward the end of the 1960's, the nationalization of oil industries by African and Asian countries deprived Americans of their control over world petroleum prices. All of these trends caused public school expenses to rise. The burden of financing these expenses fell on the existing system of property taxes and state equalization.[40]

While inflation was a significant, general feature of economic conditions during the 1950's and 60's, other trends, peculiar to education, also had a major impact on school finance. One of these patterns was the scarcity of teachers, which pushed school salaries upward more rapidly than the cost of living. This ultimately put a 'double-squeeze' on school support: first raising individual personnel expenses and then, as higher enrollments created requirements for larger staffs, again enlarging personnel budgets.[41]

Instructional expenses in public education were also pushed upward by the rise of unionization among school teachers. The expansion of collective bargaining among teachers was stimulated by competition between units of the American Federation of Teachers (AFT) and the National Education Association (NEA). Although unionization brought increased job security to many educational personnel, in many cases it laid major burdens on school finance mechanisms. By helping to maintain personnel at relatively high wage levels, collective bargaining insured that high wage scales produced during the 1950's and 60's, when the supply of teachers was low, would remain in later years when the supply increased. Unionization also required that districts assume burdens of collecting dues and providing benefits in many systems.[42]

Sputnik and Civil Rights

Demographic and economic trends were not the only ones to confront public education at mid-century. Additional changes in the curriculum would also tax financial bases of support. The Soviet launch of Sputnik I, in 1957, sent America into a frenzied effort to 'catch up' with Russian technology. Although hindsight has proven that America never actually lost her technological advantage, the nation spent untold sums upgrading the scientific capabilities of its educational institutions. This process ultimately became an extremely expensive one. The training of scientists, unlike the training of poets or economists, requires expensive laboratory facilities. Because of competition with private industry, salaries in science and science-related fields are also higher than those in other disciplines. Sputnik thus influenced American educational finance as much as it affected the nation's scientific community. It necessitated sizable increases in expenditures for educational equipment and professional salaries.[43]

The so-called civil rights movement was another important development which had a major impact on educational finance. The struggle to assure American blacks their full civil privileges resumed during the New Deal and the Truman administration. The principal focus of this movement became the desegregation of the public schools. On May 17, 1954, the Supreme Court of the United States, in the famous Brown v. the Board of Education of Topeka decision, outlawed racial discrimination in the public schools. Speaking through Chief Justice Earl Warren, a majority of the Court concluded that separate educational facilities were inherently unequal. A subsequent decision called on school districts to submit plans for desegregation.[44]

While the implementation of the Brown decision itself required additional expenditures by some school districts, most of this situation, in the early years, was confined to communities in the South. It was in the events which followed the Brown case that the bulk of the civil rights impact on public education would be made. The 1954 case became the beginning of a judicial effort to eliminate effective, or de facto discrimination, as well as legal discrimination. The courts thus sought to eliminate segregation in northern school districts, where it existed because of population distributions, as well as in southern ones, where it was formally legislated. In many areas, the adjustment of school racial balances necessitated the bussing of children among schools and among districts. This situation posed considerable difficulties for systems of educational finance, which were designed to insure the transportation of students by the safest and most efficient means, rather than by the safest and most socially justifiable means. Whatever the legal merits of the cases for and against bussing, the cost of the process was placed squarely on the shoulders of public school finance. Education had become the instrument of social redesign and educational finance would pay the charges for the improvements.

Federal Involvement

Both the increasing technical emphasis brought to American public education by the fallout from Sputnik, and the new requirements which accompanied the successes of civil rights movement, were accompanied by another important development in educational finance, the rise of the federal role in the public schools. Washington's participation in educational affairs was not a completely new development. The Confederation

government had put the Land Ordinance of 1785 and the Northwest Ordinance of 1787 into effect. During the Civil War, Congress had passed the first Morrill Act, which extended the land-school linkage into higher education by providing land grants to states for the establishment of colleges which emphasized agricultural, mechanical, and military disciplines. Still, large scale federal participation in public education did not occur until after World War II.[45]

Initial actions were oriented toward specific areas. The National School Lunch Act was passed in 1946 and the Impacted Area aid bill became law four years later. With the changes brought about by Sputnik and civil rights, however, Washington's role increased at a more rapid pace. In 1958, the National Defense Education Act established mechanisms for the funneling of large amounts of federal aid to a wide range of concerns. While the thrust of this measure was directed toward programs in mathematics and science, funds were also provided for language curricula. The Act provided millions of dollars for the training of teachers, then in short supply. Originally applicable for a period of five years, the National Defense Education Act was repeatedly extended and enlarged in scope.[46]

Federal educational involvement related to civil rights was initially confined to the courts. The Eisenhower administration restricted its activities to implementaion of Warren Court mandates. With the coming of the 1960's, however, much of the national concern with civil rights became merged with the socio-political movement known as the War on Poverty. During the Johnson administration these concerns became important targets of numerous pieces of social legislation. The Civil Rights Act of 1964 authorized the U.S. Commissioner of Education to provide technical assistance to community

school desegregation programs. The Economic Opportunity Act, also passed in 1964, went still further, authorizing grants to the states for adult basic education efforts and federal operation of a massive vocational education program.[47]

Washington's involvement in vocational training, itself an important development in educational finance, reflected the new direction of federal approaches to the public schools during the 1960's. Earlier vocational education acts had appropriated funds for training. The 1964 measure, by creating the Job Corps, made Washington a full partner in public schooling.[48]

The pattern of increased federal involvement in education which marked the 1960's culminated with the passage of the Elementary and Secondary Education Act in 1965. Enacted in order to bring the benefits of public education to blacks, the poor, the economically disadvantaged, and the underprivileged, this law effectively set the pattern for Washington's participation in public school programs. Moral scruples played an important part in the development of the law, yet the legislation would not have become reality without the rising political power of minorities and other groups. The original Elementary and Secondary Education Act authorized over one billion dollars in educational expenditures, to be distributed in a wide range of special programs. Initial target areas included curricula for educationally deprived children of low-income families, improvement of school libraries and instructional media centers, stimulation of educational research, and improvement of state departments of education. Amendments to the Elementary and Secondary Education Act subsequently added such additional target areas as: handicapped children (1966); curricula for dropouts and bilingual Americans (1967); and children residing in public housing (1970).[49]

The 1965 Act may have had a greater influence on public school finance than any modern Congressional enactment. By earmarking funds for specific programs, it elaborated the structure of federal grants which has since become a familiar part of the educational landscape. Washington effectively dangled the bait of funding and invited interested school districts to compete. The attraction of these incentives has since proven too strong for community school systems to resist. Pressed by the limitations of their property tax bases and the constraints imposed by state funding, many districts eagerly devised programs in order to obtain federal funds. Predictably, many of these efforts encountered difficulties. In some cases, the real needs of the districts bore little relation to the areas for which funding was targeted. Many districts took federal dollars and virtually ignored federal rules. In some areas, Title I funds did not reach the target populations until Washington threatened to withdraw other monies. In others, a lack of effective evaluation mechanisms carried program implementation far from original objectives. Eventually, many of these difficulties were corrected through the imposition of standards and guidelines. The restructured grant programs which Washington currently administers have tested at the local level many techniques which have later been applied on a wider scale.[50]

Since 1965, the federal government has continued to expand its aid programs for the education of the disadvantaged. Measures to provide free or reduced price lunches for poverty-level children were passed in 1970, 1971, 1972, and 1973. A Library Services Act, oriented toward the improvement of facilities in urban and rural areas, became law in 1970. The same year, Congress enacted a measure which would extend grants to public schools for drug abuse prevention efforts.[51]

The federal role in public education will probably continue to expand. If present patterns indicate the direction of Washington's future moves, the use of schools to improve the status of the disadvantaged will probably continue. An examination of the history of federal involvement in education reveals that Washington's role in school finance has been quite different from the roles of state and local governments. Unlike local school districts and state equalization mechanisms, which must underwrite the costs of training all students, Congress, the President, and the Supreme Court have been relatively free to select which areas they will become involved in and which ones they will not. Disadvantaged children have also been a concern of local governments, yet communities were limited in their power to help these individuals by the fact that they had to underwrite the cost of training all students. The federal government has also been free to impose time limits on its programs, aiding a particular group and basing decisions on continuation of these moves on the effectiveness of efforts or the availability of money. School districts have had no such luxury, however. Not only are their needs ongoing, they have been also cumulative. As Washington's funding for special curricula expires, communities must either themselves assume the burden or drop the programs.

One of the most important general aspects of the impact of federal involvement on public school finance has been the extension of Washington's control to the community level. Because school districts lie at the base of the national power hierarchy, they are subject to the fiats of all levels of government. In many cases, this means that state education departments, and especially local school boards, must bear the burden of implementing decisions made in the halls of Congress. In some cases,

such as grant projects, federal funding accompanies federal regulation. In others, such as the Supreme Court's moves toward racial desegregation and recent Congressional legislation regarding the handicapped, local districts must support mandated changes. Washington has thus been able to finance its movement into public education through local funding, as well as through its own.

The Courts

While the Congress and the federal executive branch added considerable burdens to public school support systems, the greatest offensive against contemporary methods of educational finance ultimately came from the courts. The 1872 Kalamazoo decision had upheld the property tax as a means of support for local systems. Yet Kalamazoo was borne of the same era as Plessy v. Ferguson, which had enunciated the legality of separate but equal facilities for racial groups. Just as Brown v. The Board of Education of Topeka struck down the separate but equal doctrine, the case seemed to indicate that the end of traditional financing formula would not be far off.

Surprisingly, the inevitable decision did not come in the immediate post-Brown period. It did not even come during the 1960's. An Illinois court dismissed the case of McInnis v. Shapiro in 1969, although the panel noted the existence of considerable inequality in the school finance of the State's system of public education. It was the California Supreme Court which ultimately produced the landmark ruling, determining, in the case of Serrano v. Priest, that state educational finance plans which discriminated on the basis of district wealth were unconstitutional.[52]

Plaintiffs in the Serrano case argued that the inequity in per pupil expenditures of two districts ($3,706 in Baldwin Park and $50,885 in Beverly Hills) was due to differences in the assessed value of property in the two areas, since the tax effort of Baldwin Hills (54.8 mills) was more than twice that of Beverly Hills (23.9 mills). In its ruling, the California court rejected the contention that educational expenditures had to be precisely uniform. At the same time, however, the panel ruled that systems which produced substantial disparity among the revenue of school districts violated the Fourteenth Amendment's guarantees of equal protection of the laws.[53] A subsequent decision, by the California Superior Court, declared the state system of financing education to be in violation of the equal protection clause of the state's own constitution. This ruling was affirmed by the California Supreme Court in 1976.[54]

Serrano v. Priest was an important watershed in the history of public school finance. The decision not only faced the issue of the constitutionality of existing means of school support, it also dealt with the philosophical questions behind the existing situation. The legality of contemporary educational finance pitted two cornerstones of American democracy, local control of education and equal protection of the laws, against one another. In this instance, the California Supreme Court clearly chose the latter option, noting that, "We need not decide whether decentralized financial decision-making is a compelling state interest, since under the present financing system, such fiscal free will is a cruel illusion for the poor school districts."[55] The ruling clearly fit with the United States Supreme Court's policy, enunciated in the Brown case, of placing the equal protection of the laws above the importance of local jurisdictions.

On the heels of Serrano v. Priest came the Rodriguez v. San Antonio School District decision in Texas. The Rodriguez case had first been filed in 1969 in Federal District Court. Its arguments were similar to those of Serrano. The plaintiffs noted that the existing system of school finance made education a function of the local property tax base and that, "The system assumes the value of property within the various districts will be sufficiently equal to sustain comparable expenditures from one district to another."[56]

The federal courts had given the state of Texas more than two years from the original filing date of Rodriguez to put its school finance system in order. A blue ribbon committee had studied the state's foundation system of allocating educational funds and recommended changes in the economic index used to determine the abilities of school districts to support education. The proposal had become bogged down in the Texas legislature, however, and the courts finally tired of waiting.[57]

The ruling in Rodriguez v. San Antonio School District restated the contention, contained in Serrano v. Priest, that existing systems of school support violated the equal protection clauses of the Fourteenth Amendment and of the Texas Constitution. At the same time, however, the court overturned the original decision, and ruled that the principle of fiscal neutrality, rather than rigidly uniform expenditures, should be applied to the funding of schooling among local districts. Briefly, fiscal neutrality required "...that the quality of public education may not be a function of wealth, other than the wealth of the state as a whole."[58]

The Federal District Court did not propose an alternative method of funding public education in Texas. It simply stated that, under

existing conditions, state funds were not being used to resolve financial inequities. The judges did not reject the use of the property tax to support schools; they merely required that any system employed be consistent with the principle of fiscal neutrality.[59] In an especially interesting section of its ruling, the District Court evaluated the progress of Washington's programs relating to school finance, noting that federal funds were not found to be resolving existing inequities.[60]

The Rodriguez case was appealed through the national court system. In 1973, the matter reached the United States Supreme Court. In a complicated ruling, a slim majority of the justices decided that the reliance of public education on the property tax was not, of itself, a violation of the equal protection clause of the Constitution. Speaking for the majority, Justice Powell argued that, while the property tax offered less freedom of choice for some districts, the existence of 'some inequality' was not, of itself, grounds for striking down the entire system of school finance. The Court prefaced its opinion with assertions that education was clearly a state responsibility. The majority ruling affirmed that, "Education, of course, is not among the rights afforded explicit protection under our federal constitution."[61]

Commenting on this decision, Sidney P. Marland reasoned that the high court believed the proper instruments for action on the property tax and equalization were the state legislatures, since these bodies had been the architects of the system.[62]

Not long after the Supreme Court's ruling on the Rodriguez case, the New Jersey Supreme Court determined that the state's system of school finance violated constitutional provisions. In the case of Robinson v. Cahill, the New Jersey justices did not deal with equal protection of the

laws. Instead, they determined that the existing framework violated the state Constitution's provision for equal access to "thorough and efficient" education.[63]

In response to the ruling, the State Legislature passed the Public Education Act of 1975, a new program of aid to schools, but failed to provide the funds to implement the effort. In July 1976, the State Supreme Court responded by closing all state schools until necessary monies appeared. When the Legislature enacted an income tax to provide the funds, the Court reopened the schools.[64]

Other court decisions have subsequently challenged the constitutionality of systems of public school finance. Ruling in the case of Horton v. Meskill, the Superior Court of Hartford County, Connecticut, found a system of flat grants in aid to schools to be in violation of state equal protection clauses. After considering an appeal of the case, the Connecticut Supreme Court in 1974 invalidated the entire property tax system of financing elementary and secondary schools. The Court declared that the setup denied equal opportunities to children residing in property-poor areas of the State.[65] In Kansas, a Federal District Court in 1972 declared that methods of supporting public schools violated the Fourteenth Amendment to the United States Constitution as well as an equal protection clause of the state constitution. After the State Legislature produced a reform measure, a Guaranteed Yield Equalization Program (1973), the District Court also found this measure to be unconstitutional. The judges claimed that the program's provisions for measuring district wealth on the basis of property and income was "capricious and arbitrary".[66]

In New York State, the decision was not rendered until 1978. The original case, Board of Education, Levittown v. Nyquist, had pitted

boards of education and children from low property wealth areas against the State Commissioner of Education. The suit involved a dual challenge to existing methods of school support. The original plaintiffs argued that the New York State system allocated school resources as a function of local real property without any relationship to legitimate educational considerations. After the initiation of the case, the Boards of Education of Buffalo, Rochester, Syracuse, and the City of New York intervened, claiming that the state aid formula created a "municipal overburden" on each of their districts. As a result, they claimed, children in large, urban districts receive lower and inadequate amounts of aid.

Trial of the Levittown case was not completed until January 1978. After lengthy deliberation, the State Supreme Court ruled that the New York State school aid formula contained in a 1974 state law was unconstitutional. Judge L. Kingsley Smith found that the State had created 700 separate school systems, each with a differing ability to support education. The judge also upheld the claims of New York's urban districts, noting that "By the use of flawed measures of fiscal capacity, the large cities are made to appear as possessing greater capability to finance their schools than is actually the case." At the same time, the court did not rule out the use by local school districts of the property tax to provide a system of free public education. Like the District Court decision in Kansas, it also struck down a New York State statute which was designed to compensate for inequities. Other aspects of the Levittown decision continue to be unraveled. The case is extremely complex. It is currently under appeal.

The rash of judicial rulings on educational finance initiated by the Serrano and Rodriguez decisions threatens to reshape existing

mechanisms of school support. In an attempt to better understand the scope and directions of rulings on the subject, K. Forbis Jordan and Kern Alexander undertook an extensive analysis of the post-1900 cases which relate to school finance. They delineated three generations of constitutional development which appeared.

1. In the first generation cases, aggrieved taxpayers sought relief and questioned the constitutionality of state school finance programs only from the position of taxation.
2. Second generation cases were brought on behalf of students. They contended that the range of educational opportunities should not be dependent on the fiscal abilities of individual school districts.
3. Third generation cases asked how far states could go in providing equal educational opportunity.[68]

From this analysis, it is apparent that the scope of suits relating to educational finance is widening. The constitutional bases, rather than the distribution formulae, are in many cases being challenged. The source of these cases has also shifted from the supporters of school systems, the taxpayers, to the beneficiaries of them, aggrieved students.

Despite the widening of the judicial offensive against existing systems of finance, there is reason to believe that this movement will not take on the proportions assumed by the civil rights crusade of the 1950's and 60's. The Serrano and Rodriguez decisions while getting this new movement off the ground, also contain calls for restraint. The action of the Supreme Court in the Rodriguez case is especially significant. Unlike the Warren Court in the Brown decision, the Berger Court did not sweep away the existing order. Instead, the majority opinion pointed out the existence of inequality and hinted that any number of corrective approaches might be devised. The justices left the burden of reform on

the State Legislature of Texas, the body which had developed the original system. There is a world of difference between the Brown and Rodriguez decisions: the former inexorably swept away an order, the latter called for creativity in the development of a new and better one. The Levittown case goes even farther, delineating the wide limits of state responsibility in educational finance.

Local Governments and Revenue Sharing

The actions of the federal government and the courts may have been the most influential forces to impact systems of school finance during the middle of the twentieth century. Yet the influence of local government was also felt. Increasingly, school districts found themselves competing with local, county and municipal administrations for needed funds.

Much of the competitive situation was created by the emergence of revenue-sharing, a federal shibboleth for the return of a portion of Washington's tax bite to local government. Somewhat belatedly, it was realized that community mechanisms were often in closest touch with the needs of particular areas. Because of this, it was argued, larger portions of all collected revenue should be spent by local units. Unfortunately, much of the logic of the idea ended here. Instead of reducing federal taxation and allowing area governments to collect the remainder, it was decided to channel funds from local communities, through the Washington bureaucracy, and back to the communities.

From the local standpoint, the so-called revenue sharing program which eventually emerged was steeped both in unfairness and in regulation . States used revenue-sharing dollars for education, yet these monies reached the district level only through indirect means. Originally, school

systems were excluded from the effort as direct beneficiaries. 'Pass-through' lists of government units which could collect revenue-sharing funds were established. These units could pick up money as the total funding package 'passed through' them. School systems were omitted from the lists because, it was reasoned, other community agencies would share their windfalls with the districts.[69]

Unfortunately, a few local governments shared their funding with the schools. One reason was that most of these units had pressing financial problems of their own. Another difficulty was that most states had laws which forbade the sharing of funds among local government units. In 1972, various groups attempted to convince Congress to include schools as direct revenue-sharing beneficiaries. Some money was eventually provided to financially starved districts, yet these amounts remained minimal.[70]

Outside the scope of revenue-sharing, districts also found increasing competition from local agencies for tax dollars. Increases in property taxes were paralleled by rises in sales taxes as school and other concerns competed for public money. Increasingly, it became apparent that there would simply not be enough funds to go around.

The Public Challenge

The competition for tax dollars foretold the emergence of another influence on school financing, the role of local taxpayers. Pressed by inflation, unemployment, and a host of unfavorable general economic factors, a popular resentment against virtually all forms of taxation gradually developed during the 1970's. Two aspects of the movement had a particular impact on school districts: its orientation toward the property tax and its connection with the ballot box.

The property tax connection originated in a number of areas, although its most notable manifestations occurred in California. At the heart of the matter lay the issue of periodic assessments. As has already been noted, changes in the market values of property necessitated periodic reassessment for purposes of taxation. In the 1950's, a slowing of the inflation rate had somewhat mitigated the need for such additional assessments. In many communities, property was assessed a fraction of market value. Lack of prompt reassessment further reduced the actual amount of taxation.[71] These practices effectively lulled taxpayers into taking existing levels of property taxation for granted. When the patterns of the 1950's and 60's changed, they provoked a major outcry.

In California, the matter reached explosive proportions in 1977 and 78. The state government had permitted local jurisdictions to capture the full annual real growth of the tax base. Although school districts were constrained from increasing taxes beyond the annual inflation rate, the public reacted angrily against all forms of increased local taxation. The intensity of the situation was exacerbated by the fact that the state government was retaining a $5 billion dollar surplus. Public opposition to assessment focused full market value and found its most visible form in the passage of a state referendum, Proposition 13. This law placed a 3% ceiling on annual reassessments, as long as the person who owned the property in 1978 remained in possession.[72]

Efforts to limit property taxation in other states have followed the passage of Proposition 13, yet the precise future of this movement appears unclear. The trend of popular opposition to increased property taxes appears to be nationwide. At the same time, however, much of the intensity of the California movement arose because property taxes were

increasing while the State maintained a 5 billion dollar budget surplus. The scope and direction of anti-tax sentiment in other areas may be influenced by the condition of state finances.

Differences of opinion also exist within the tax limitation movement. Howard Jarvis, the Architect of Proposition 13, is opposed by the National Tax Limitation Committee (NTL). Unlike Jarvis, who focused narrowly on the property tax, the NTL has noted that the property tax is merely one revenue source. Leaders such as William Rickenbacker have called for long term limits on total state spending. Its comprehensive approach poses much more of a threat to present methods of school finance than Jarvis' ramshackle movement.[73]

Public unrest over taxation also had important implications at the ballot box, the source of ratification for many local educational budgets. In New York State, the influence of general resentment over taxation on the public schools actually predated Proposition 13. Although the number of budget defeats has remained relatively constant during the last few years, the rate of disapprovals in New York remains far above that of a decade ago.[74] It should be remembered that while income and sales taxes are often targets of popular discontent, few opportunities for direct referenda on such measures actually arise. The 'no' lever on school appropriations, on the other hand, is often available annually.

The effect of the current anti-tax movement on public school finance is particularly ironic. Citizens wish to protest against the growth of vast bureaucracies which have little apparent responsiveness to their needs. At the same time, however, their frustrations are usually dropped on local school districts, the administrative units perhaps most in touch with their concerns.

In attempting to curtail school revenue and expenditures, the tax limitation movement has avoided school finance reform. Unlike the judicial movement at altering the mechanism of educational support, this development seeks only to hold the line on expenditures. What occurs within the scope of spending ceilings is left to chance.[75]

Accompanying the tax crusade has been another important pattern which has already influenced educational finance, the accountability movement. Public pressure for increased accountability of institutions predates the present discontent with the property tax. It was visible on a national scale in the challenges to the authority of Presidents Johnson and Nixon. Where the tax reformers have concentrated on patterns of assessment, those concerned with accountability have demanded justification for patterns of behavior. In education, this has taken the form of calls for greater rationality in program planning and in expenditures.[76]

In school finance, accountability has helped initiate more effective allocation of funds. Planned Program Budgeting and other systems have helped communities rank educational goals and place the bulk of their resources in the most important areas. The movement has brought new attention to the fact that primary responsibility for effective programs belongs as much with local citizens as it does with school officials.[77]

The impact of public sentiment on school finance is often difficult to measure. Communities often lack widespread interest in these processes. The influences of the public on education bears serious consideration, however, since, in the last analysis, tax dollars constitute the totality of school finance.

The fundamental property tax structures, many of which had been in existence for over a century, and the more recently devised equalization mechanisms, were put to a severe test by these developments. A whole new reform movement would be required to produce adequate solutions.

The Shape of Reform

One of the most important elements in the creation of new approaches to public school finance was the state government. It was on state administrations that most of the burden of the Serrano and Rodriguez decisions ultimately fell, since local districts, operating within limited geographic areas could not bring about equalization of funding on widespread bases. General administrative functions and resources which related to the public schools were also concentrated at the state level.[78]

While the tax limitation movement merely attempted to impose limits on educational expenditures, many states eagerly accepted the court challenge to devise whole new mechanisms for financing public education. A variety of approaches to the situation have emerged. A number of legislatures have enacted laws which place greater responsibility for raising public school dollars on state government. The additional funds have been provided through the tapping of budget surpluses and increases in sales, income, and other state taxes. The Guaranteed Yield Equalization programs adopted by Colorado and Connecticut are based on the assumption that state governments must bear the greatest burden of equalizing school district revenues.[79]

Instead of, or in addition to, increasing state school expenditures, a number of legislatures have also cut local tax rates and property tax bills. When coupled with the raising of state taxes, the cuts in local rates have effectively removed some school district funds from the front

lines of the current property tax controversy. These measures have probably also resulted in a more equitable distribution of payment of educational expenses, through income and sales tax levies on individuals who do not own homes. In states such as Colorado, Connecticut, and Michigan, Guaranteed Yield Equalization efforts have included local tax relief. Expanded state aid in Missouri, North Dakota, and South Carolina encouraged community districts to lower their tax rates.[80]

All of the state reform efforts undertaken in recent years have attempted to insure a closer fit between the distribution of aid and the existence of special local needs. Pupil weighting systems implemented in five states are the most visible manifestations of this pattern. The modified weighting pattern currently in operation in New York State provides an additional 25% of state funds per student for children who are found to be educationally disadvantaged on the basis of statewide tests. Additional apportionments are awarded to school systems with large numbers of pupils having specific needs and various students enrolled in special programs. Curricula receiving such additional aid include special education, programs for the handicapped, summer school, evening classes, and services for children residing in the New York City, Buffalo, Rochester, Syracuse, and Albany districts.[81]

Along with increased aid to local school systems has come a widening of state control. As part of their equalization moves, many reform efforts have imposed systematic controls on the growth of local school budgets. In some cases, this has occurred through limitation of local taxes. In others, it has taken the form of ceilings on school system expenditures.[82] In every case, it has become apparent that state assistance did not arrive without strings. A continuing stream of regulations defines the obligations

owed by school districts for their additional funding.

A wide range of specific, innovative financing arrangements have been developed by various states. Florida, for instance, has tied its state aid formula to the cost of living index. Illinois has provided supplementary aid to communities with large concentrations of poverty pupils. Utah and New Mexico have instituted special aid provisions for rural areas. Maryland and Florida have assumed local construction costs.[83] All of these measures are innovative efforts to adjust existing systems. Working from a practical viewpoint, state legislators have used general approaches and specific insights to retool their educational support systems. These measures have redressed specific inequities which exist in state financing. They tend to address immediate need rather than extended planning. From a long term perspective, more comprehensive approaches are required. In many instances, these efforts will require several years to implement. Consideration of these programs is a necessity, however, if extended public school planning is to become a reality.

Reform Measures

Approaches to long range educational financing seem to fall into two categories. Reform approaches concentrate on general adjustments of existing procedures, while revolutionary measures entail redesign, and often replacement of the status quo.

Among the leading reform programs are the district power equalizing (DPE) and foundation formulae. The district power equalizing scheme is based on traditional concepts of equalization. School districts tax their own property. The amount they gain from this process is then supplemented by the state governments. In most cases, states guarantee a minimum level

of support, making up the entirety of the difference between the revenues of poor districts and that level. Theoretically, DPE also includes provision for state 'recapture' of excess funds in areas where local taxes yield more than minimum levels.[84]

Variations of district power equalizing are sometimes titled Guaranteed Yield, or Guaranteed Tax Base in different states. Colorado and Connecticut have adopted Guaranteed Yield Equalization. The Colorado plan includes provision for local districts to override state-imposed spending limitations. Ohio is presently implementing a two-tiered version of the Guaranteed Tax Base Approach. The effort includes general increases of state educational expenditures and special assistance to districts with large numbers of disadvantaged pupils. Prior to the 1978-79 year, New York State operated on a percentage equalizing formula with an aid ratio-calculation, the so-called self adjusting reform. Under an earlier foundation arrangement, property values and local levy increases had been increasing at a rate faster than voters were willing to support.[85]

Another extremely popular approach to the reform of public school finance is the so-called foundation program. Where the district power equalizing method emphasizes the economic strength of the school system, and compensates for differences in tax rates, the foundation approach uses a prescribed minimum rate, and funds up to this level.[86]

The foundation approach has been the guiding principle behind equalization in American public school finance for almost ninety years. The earliest methods of correcting inequity in funding, developed in New Jersey and other northeastern states, used state monies to upgrade the revenues of impoverished districts.[87]

The computation of state aid amounts under the foundation method is accomplished through individual or through categorical means. In the

former approach, the needs of each student are established and weighted according to the expenses required for the education of that individual. The categorical means uses classifications, each weighted on the basis of cost, to compute the expenses required to educate groups of students. The amounts required to educate all of the students in each district are then combined to establish a minimum level of funding required for that school system. Local property taxes, collected within the limitations of state established rates, then fund a proportion of the total required expenditures. State aid makes up the difference between these totals and the established state minimum. Through this method, wealthier districts pay a higher fraction of their expenditures than do poorer ones.[88]

Foundation programs have been devised at high and minimal levels. Minnesota, Montana, Utah, and New Mexico have adopted high level efforts. In these states, property tax relief has been provided for many low income persons, regardless of age. The Montana effort has mandated uniformity of county property taxes, and introduced a state-wide property tax to pay for any additional expenditures which the program may require. The New Mexico foundation method includes a whole series of weighting methods, incorporating pupil weights, program weights, and instructional staff weights, as well as adjustment factors for school and district size.[89] The Minnesota, Montana, Utah, and New Mexico programs are the 'Cadillacs' of the foundation systems. State legislatures in many areas have been unwilling to equalize differences in district needs and taxing power with large amounts of funding. Because of inflation, vanishing surpluses, and increasing costs, it has become extremely difficult for states to subsidize anything but minimum level programs.[90]

The district power equalizing and foundation methods are the major means which have been suggested for reform of the present systems. Almost all states which have attempted to retool existing methods of school finance have utilized variations of these approaches. This situation should provide ample opportunity for adequate testing of these methods. Through comparison of the effects of differing conditions on these mechanisms, a large amount of useful background data should be accumulated.

Other approaches to reform of public school finance also exist. Unfortunately, lack of state interest in these proposals will postpone practical evaluation of them for the immediate future.

Percentage equalizing formulas focus on proportional sharing of school expenditures by state and local governments. Districts' financial capacities are initially established by dividing the wealth of the district in question by the wealth of an average district. The actual local share of expenditures is then determined by multiplying the local capacity by the state-determined share for the average district. Obviously, if local wealth is greater than that of average districts, fiscal capacity will be high. When fiscal capacity is multiplied by wealth of the average district, it will produce a local share higher than the state-determined share for an average district. If the wealth of the district is low, by state standards, the reverse will be true. Percentage equalizing compensates for the lower wealth of poor districts in two important ways: by lowering the actual amount of their contribution to school revenue and by lowering the percentage of expenditures which they must reimburse.[91]

School finance reform provisions of a non-equalizing nature have also been devised. Flat grants are payments made to local districts solely on the basis of the number of pupils enrolled and/or the number of personnel

employed. All districts receive the same amount of aid per pupil. Although few flat grant programs have been enacted on state-wide bases, largely owing to the questionable constitutionality of these measures, minimal levels of guaranteed funding have found their way into other approaches.[92]

Another, non-equalizing method, the 'save harmless' or 'save from harm' provision, is a technique for assuring continuity in school support. Save harmless approaches often require that calculated aid for a given new year should not be less than that received in a given prior year. While the flat grant method is based on a state-wide minimum amount, save harmless provisions insure a minimum level of support for each school district.[93]

In addition to these techniques, a variety of categorical approaches have also been devised to address specific school needs, such as compensatory education, transportation, and vocational education. Categorical aid may be used to upgrade specific segments of an otherwise adequate curriculum. It may also be used to temporarily assist districts with particularly acute problems.[94]

Revolutionary Approaches

Not all schemes for correcting deficiencies in the system of public school finance concentrate on adjustment of existing structures. A number of authorities contend that the system has already been retooled ad infinitum and that drastic measures are now required. Most discussion of such an approach has tended to focus on the reorganization of school districts or the adoption of full state funding.

Reorganization of present school districts would require redrawing district boundaries to insure that all systems in a given state provide equal property valuation per pupil. The approach is a financial and educational extension of the 'one man - one vote' principle articulated by the federal courts. Through it, the financial strength of school districts, like the voting strength of congressional districts, would be equalized. The method would eliminate the need for state tax efforts and equalization formulae by precluding differences in wealth among districts. It would also preserve and reextend local control. At the same time, however, reorganization would create enormous temporary dislocations. The redrawing of district boundaries would result in the transfer of schools and, in some cases, small communities between systems. Since the structure's viability would hinge on the equality of the economic strength of constituent districts, periodic and rapid adjustment procedures would have to be insured.[95]

A still more revolutionary method of public school support is full state funding. Through it, state governments would assume responsibility for distributing and collecting virtually all school revenues. There would be no need for shared cost formulas because all monies would be raised by the same level of government. Variations in educational expenditures would be based on need rather than the relative wealth of areas. Presumably, local choice in the allocation of monies, as well as in the administration and planning of school activities, would eventually be phased out. Some authorities, such as New York State's Fleischmann Commission on educational finance, have asserted that this pattern need not occur. Yet the Fleischmann Commission's action deliberations took place in a comparative vacuum. It was isolated from politics in general and the state legislature in particular. In the long term, it would be difficult to

visualize how funding and decision-making responsibilities could be separated. Full-state financing would definitely place enormous responsibility on state officials. In their hands would be the determination of all aspects of school financing. The matching of educational revenues with the needs of individual districts would require considerable expertise.[96]

There are several paths to full state assumption. Florida has effectively instituted it through equalizing systems. California will have it shortly, as a result of the Proposition 13 1% statewide property tax. Other areas are also approaching it through rising assumption of local responsibilities by state government.

Other radical approaches to the restructuring of school finance also exist. Still more drastic means would involve a federal assumption of control over the raising and distribution of school monies. The possibility of having public schools administered on a regional basis by public corporations like the Tennessee Valley Authority has also been raised. Still more extreme is the so-called voucher method, which would make state money grants, usable in public or private schools, to parents of all school age children. Many have concluded that this approach would bankrupt public education and give birth to a variety of ramshackle "private" schools.

Behind the range of possible funding schemes lies a basic tension in school finance, where the locus of equity should lie. In an overly simplistic way, the choice between full state assumption and district power equalizing is a choice between equity for pupils and equity for taxpayers. Elements of this tension have always existed in public education. Yet the impact of court decisions and the general move for financial reform have brought them more squarely into focus.

The Property Tax and Equity

All of the approaches to public school finance which have been suggested attempt to relate property tax systems to educational opportunity. In many instances, the issue revolves around the state aid which equalizes local funding. The full state funding approach is an extreme example of such a procedure, since it attempts to insure opportunity by doing away with the local element altogether. Yet, even state funding would probably be based on a state wide property tax. The core of the school finance issue, the relationship between the property tax and equity, is inescapable.

The property tax is not one of the more popular features of the American landscape. One critic observed that "..Asking people to pick their favorite tax is like running a contest among noxious diseases".[97] In recent years, property taxes are not doing well in such competitions. Surveys indicate that the types of taxes most preferred by the public are sales taxes, with income taxes running a surprisingly close second. The property tax has clearly been the least approved way of raising funds.

The property tax has been called regressive, excessively local, and unfair. It is argued that the rate of the tax often decreases as the tax base increases. It is pointed out that the more property one owns, the higher the tax rate, and that elderly persons who own their homes but are almost without income often have large property tax bills. Critics also claim that the property tax is too local, that its funds do not benefit persons outside the communities in which it is collected. They note that wealthy districts dump large amounts of revenue into their own school systems, when a proportion of this money might better be applied to the upgrading of nearby systems. The fairness of assessments has also been vigorously attacked. It is argued that the nation's 51

separate state-level taxing systems, 14,000 assessment jurisdictions, and 70,000 taxing jurisdictions produce an irrational pattern of valuation in which properties in different areas of a given state are usually not assessed and taxed in the same way.[98]

Proponents of property taxation have not denied that it may be regressive, local, and unfair. They point out, however, that the picture is not an all-black or all-white affair. They note that regressiveness, of itself, is not a cardinal sin, especially when various characteristics of the tax are desirable. They also point out that various mechanisms, such as circuit breaker provisions, can reduce regressiveness at the taxpayer level by limiting payments to a percent of income. Supporters concede that the tax may be unfair to elderly citizens who own homes. At the same time, they note that the tax is not intentionally regressive, that the higher taxes paid by some elderly result from the landed nature of the wealth they possess. Many proponents gladly admit that the property tax is local in orientation. They add that as such, it is one of the only remaining assessments whose benefits are confined to a single area. They argue that, while state and federal taxes are gobbled up and apportioned by regimes in comparatively remote areas, property taxes are collected and distributed at the local level. Supporters of the existing arrangement question if, in this age of centralized power, there can be some room for local financial control. Proponents also agree that property tax assessments are unfair. Yet, they also take note of the fact that sales taxes differ from locality to locality. On a wider scale, they see the considerable variation in financial patterns among states, and ask if they too constitute inequality of taxation on a national scale.[99]

Supporters of the property tax also point to a number of important strengths of this fiscal instrument. Jesse Burkhead notes that, while the elasticity of the property tax was rather limited during the 1950's, the tax has assumed a new vitality in more recent decades. In a specific study of the elasticity of property tax revenues in New York State, Burkhead concluded that, "the tax responded well, when examined in terms of county aggregates, to increases in the population and to increases in the proportion of the population of school age."[100] Even New York's Levittown decision did not rule out the property tax as an instrument of school support. Rather, the major limitations of the property tax, seem to be the 25% of national property, and the 40% of the property in some cities, which are untaxable because of exemption.

Another strong point of the property tax seems to be its stability. Concern over the possibility of national recession and/or depression has increased in recent years. It is important to remember that, in times of economic decline, the revenues of communities will suffer and lead to the disruption or elimination of vital services. Although incomes and sales may vary appreciably during times of decreased economic activity, the value of property changes little. Property taxes thus provide a measure of security for communities in such situations.[101]

In a number of ways, property taxes also seem particularly suited for local use. With the exception of the assessment procedures, actual administration of the tax is quite simple. Such procedures as the setting of rates and notification of citizens of their bills can be carried out by even the smallest communities. This simplicity also has the advantage of allowing school officials to make accurate predictions of the changes in revenue that will follow from alterations in rates. Property taxes have also been found to produce substantial amounts of revenue. These

sums are particularly necessary to local communities for the essential school and other services which they provide.[102]

Beyond its inherent advantages, the property tax has proven to be a most flexible revenue instrument. Some states have already modified it by strengthening the power of assessors. Others have provided technical and computer assistance to local officials. Still others have used diagnostic evaluations of the functioning of the property tax to measure the general effectiveness of taxation, as well as to pinpoint trouble spots. A number of states have developed 'circuit breaker provisions', which prevent tax bills from exceeding certain percentages of family incomes regardless of actual tax rates.[103]

A frequently neglected aspect of property taxation is the role of corporate contributions. In New York State, for instance, businesses annually contribute over one half the tax revenues of many districts. In some areas, this proportion approaches 90% of all tax revenues. If property taxes were dramatically cut or done away with entirely, the only way to insure the continuation of business contributions to education would be through massive increases in corporate income taxes. Such moves would probably drive many concerns either out of business or out of the State.[104]

Accordingly, it seems that while the property tax is by no means ideal, it does have important advantages. The track record and suitability of property taxes to community needs is notable, if not impressive.

The equity question is probably a larger dilemma than the property tax issue. Whatever the inherent difficulties of taxation, there seems to be no way of assuring that educational revenues will be distributed where the most need exists. The problem of equitable distribution of school revenues is not peculiar to the property tax. In its Rodriguez

ruling, the United States Supreme Court noted that federal aid to education, which is derived from income taxes, is not being fairly distributed. Nor is the mere allocation of funds the totality of the problem. Consider a situation in which each district of a state has somehow received money proportional to its needs. There is still no assurance that funds will be spent on students who most require them. One authority on the subject has noted that, "Improving the revenue side gets at only half the problem ...We must establish patterns of expenditure that match the needs of pupils for educational services."[105]

Another dimension of this question concerns the direction of equity. Existing efforts have been oriented toward guaranteeing equity for students or for taxpayers. Effective compromises have not been produced.

Part of this responsibility may lie with local communities. The courts have sought to enhance equality in the apportionment of funds among districts, while leaving the mechanics of education in the areas themselves. Authorities on the subject of school finance, with the exception of those who favor full state or federal control, also tend to leave actual educational responsibilities at the local level. From the community perspective, the situation is both encouraging and challenging. Although, increasingly hamstrung by state and federal regulations, the districts still determine and implement many of their programs. At the same time, however, the judicial mandate is clear. Either districts must conduct their fiscal affairs efficiently and equitably or further intervention by the courts will occur.

THE PRESENT AND THE FUTURE

The foregoing discussion has surveyed the development of educational finance from its American origins through the mid-twentieth century. Challenges to the existing system and possible answers to these challenges have been highlighted. All of this leads to the present and prospects for the future.

New York State

Although the early landmark decisions on school finance took place in California and Texas, national attention concerning the development of educational support increasingly focuses on New York. The fiscal mechanisms of New York's school system in 1978 received their day in court. There is considerable interest in the approach which this state, always a national leader in the support of education, will take.

New York State was one of the first to adopt equalization procedures for the distribution of revenue among school districts. As in many areas, methods and rapidity of assessment in New York varied rather widely. During the 1970's, however, the State Board of Equalization and Assessment took important steps to reform the means of assessment. The Board began development of a computer-assisted operation which gave localities the technical ability to keep pace with changing market values. Upon completion, the system was offered to the state's municipalities, many of which installed it voluntarily. Additional consulting services were also established by the Board for local use.[106]

Much of the present situation regarding educational support in New York State revolves around the issue of assessing property at full

market value. In 1975, three years before the Proposition 13 revolt against full assessment in California, the State Court of Appeals directed the Town of Islip, in Suffolk County, to assess all real property at full value. Basing its decision on Section 306 of the Real Property Tax Law, the court determined that the practice of setting assessments at less than the full value of the property was illegal.[107]

The ruling has since given rise to numerous suits in other localities, asking that area governments be required to assess local property at full value. The State Board of Equalization and Assessment has refrained from mandating that all local governments revalue property at full value. However, many communities, either under court order or voluntarily, are already doing so.[108]

In New York State, the impact of full value assessments is two-fold. Periodic reassessment is often practiced when property changes ownership. In this case, the initial redistribution of tax income often has dramatic effects. The second implication, which is the most important element of full value assessment, is the annual updating of assessments on each piece of property. This practice, accomplished with the aid of computer data processing, would eliminate the need for state equalization ratios by matching local assessments with state equalized figures. It would also enable local areas to fully capture the growth in real property tax bases. At the school budget level, the implementation of such a system would mean that, unless the percentage increases of tax levies were greater than the percentage increases in district expenditures, tax rates would actually decline.

Allied to the questions surrounding reassessment of property in New York at full market value is the issue of equalization. Spurred by the Serrano and Rodriguez decisions, the State Legislature in 1974 revised

existing methods of distributing state aid. Yet these efforts were declared unconstitutional in the recent Levittown v. Nyquist ruling. The short term problem is one of developing a formula for the equitable distribution of state monies among school districts. Although formidable, this question is dwarfed by the long range difficulties of updating equalization mechanisms and adjusting educational finance to changes in state revenue. The updating issue is somewhat related to the problem of revising assessments. Perhaps the technical prowess of the computer can also be applied here.

The meshing of school support with state revenue is quite another story. Revenue is closely linked to personal income. While dollar amounts of income have continued to rise in the state, much of this increase may be attributable to inflation. The national economic future is uncertain. State government has declared that there will be a rate of advance in living standards sufficient to support a high quality educational system, yet New York's economic growth rate continues to be below the national average.[109]

From a general perspective, school aid policy and politics in New York are currently in disarray. A major court decision has been rendered, yet conditions which have accompanied reform in other states, including strong leadership, broad coalitions, revenue surpluses, and underused income taxes are notably absent. At the executive level, the State's governors have traditionally maintained an active role in public education, the present administration sees no public outcry in this area and therefore, plan no reform initiatives. At the legislative level, traditional spheres of influence, a lack of staffing, and other constraints have crippled the impetus for reform. Individual legislators have formulated plans, yet none has gained wide approval. Some observers have attributed the lack of reform to party politics, yet lack of basic priorities probably

contribute as much. A general commitment to change at the state level seems to be lacking.[110]

Under these circumstances, it may be fortunate for the public schools that New York continues to be one of the states relying heaviest on local taxes for the support of education. The stability and security of the property tax helps reinforce the basic fabric of the state's high quality system of schools.

Toward the 1980's

The development of educational support in American society has witnessed the emergence of two powerful forces, local control and equality of opportunity. The events of the 1970's have brought these forces into conflict. Resolution of the dilemma remains to be accomplished.

Centralization of public education decision-making during recent years has been stimulated by various factors, not just finance. The buildup of state agency staffs to administer federal programs, collective bargaining, and accountability have all contributed. It may be possible to decentralize some governance and resource decisions while others are centralizing. One of the major challenges of the 1980's will be to employ this approach in order to make schools more efficient.

Within the reform of school finance, probably the major tension will surround whether the focus of equity should be directed toward pupils or toward taxpayers. The difficulty of producing a formula satisfactory to all dictates that some sort of guidelines be established. The question becomes: equity for whom?

Students of school finance report that the future will probably witness increased involvement in school support by state governments and

the assumption of major fiscal responsibilities by Washington. Their measurements indicate that property tax rates will decrease by small amounts as the burden of finance shifts to state and federal income taxes. Other realities are also unmistakable. Resource constraints will no doubt continue to limit alternatives for educational finance. Particularly in New York State, schools may have to accept a reduced share of state and local resources in the years ahead.

Beyond this, it does not appear that the history of litigation concerning educational finance is by any means over. Plaintiffs will continue to address inequity, and state governments will struggle for solutions.

For at least the immediate future, it also appears that the property tax will be a continuing fact of life. The mere thought of finding an alternative source for more than 8 billion dollars of taxation is mind-boggling.[111]

Historical insights add greater perspective to the current situation. Part of the existing difficulty in school support seems to stem from what historians call a 'collapse of consensus' in American life.[112] The Republic has been built on principles, yet these principles have included compromise and diversity. Equality has not come to mean rigid uniformity. The working ot of the problems of educational finance will be a difficult process, yet a worthwhile one. It will require the dedicated efforts of all segments of schools and their communities. One of the nation's foremost experts in school support, Roe L. Johns, notes that equity: to children and to taxpayers, remains elusive. Yet, he affirms, "it is a goal well worth working for."[113]

Perhaps, in the current situation and in the words of authorities like Roe L. Johns, there are also perspectives for the future. Economists report that, through the fluctuations of available indicators in recent years, the productive capacity of the American worker has declined. At the same time, Johns and others have called for increased effort in educational concerns. The message gradually becomes more clear. Perhaps, in their search for equality, Americans have become overly attached to the numbers of school finance, to the neglect of the real problem, productivity.[114]

Various indicators show that the productive capacity of education, like that of the rest of the economy may be suffering. Part of this is no doubt related to revenue. Increasing amounts of property, because of ownership by public or not for profit concerns, are being classified as non-taxable. This restriction of resources will definitely constrain school capabilities. Yet much of the productivity issue is also a human problem. It is a question of effort invested and hours expended.[115] If this concern is defined out of school finance, what remains is only half of the issue. No amount of funding will compensate for deficiencies in human productivity.

In what has been termed a "decade of disillusionment",[116] the educational future is thus one of challenge. The situation leaves no room for disaffection, the application of every available resource will be required.

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